

COMMITTEE OF CONSUMER SERVICES

MISSION

The Utah Committee of Consumer Services (Committee) was created by Utah legislators in the 1977 General Legislative Session. The Committee represents the interests of small business owners, farmers and ranchers, and residential customers of natural gas, electric, and telephone utilities in Utah. The Committee convenes regular public meetings to provide utility customers the opportunity to present concerns and petition the Committee to take action. They also assist customers in appearing before the Utah Public Service Commission (Commission) or appear on their behalf, and advocate positions advantageous to the majority of residential customers.

FY 2005 HIGHLIGHTS

During the past year, the Committee participated in numerous dockets on electricity, natural gas, and telephone issues before the Utah Public Service Commission. The Committee's participation in these filings, combined with legislative issues, result in millions of dollars in savings to Utah residential, agricultural and small business customers. Highlights of the fiscal year include the following:

- ▶ **PacifiCorp Rate Case** – In August 2004, PacifiCorp requested a Utah rate increase of \$111 million, a 9.7% rate increase. The Committee believed that PacifiCorp's rate request was substantially overstated. As a result of settlement discussions, the rate increase for residential and small business customers was limited to about \$44 million, a 3.8% rate increase.
- ▶ **Telecommunications Revisions (S.B. 108)** – Legislation was passed during the 2005 Legislative Session relieving Qwest from price index regulation of its retail telecommunications services in Utah. Basic residential service, however, remains subject to a price cap until competition for such service develops in Qwest's territory, as determined by the Public Service Commission.
- ▶ **Questar's CO2 Case** – On 31 January 2005, Questar Gas Company (Utility) filed an application with the Utah Public Service Commission to increase its rates \$5.7 million, or about 50 cents a month per household, to help pay for the cost of providing natural gas that can burn safely in customers' homes. The Committee is currently examining and analyzing the Utility's application for recovery of gas management costs.
- ▶ **Questar's "Pass-Through" Case** – On 6 May 2005 Questar Gas Company filed an application with the Utah Public Service Commission (UPSC) to increase its gas pass-through rates by \$115.4 million. On 31

May 2005, the UPSC approved the increase on an interim basis. Consequently, typical residential customers will see their natural gas prices increase 14.42% or \$10.89 per month. The Committee is currently retaining expert assistance to examine the Utility's application.

- ▶ **MidAmerican's Acquisition of PacifiCorp** – On 24 May 2005, MidAmerican announced it had reached an agreement with Scottish Power to acquire its subsidiary, PacifiCorp. The Committee is presently examining whether this acquisition will produce net positive benefits for Utah ratepayers.

CUSTOMER SERVICE

Electricity

▪ **Lakeside Power Project**

On 28 May 2004, PacifiCorp (Company) filed an application with the Public Service Commission (Commission) for a Certificate of Convenience and Necessity authorizing construction of the Lake Side Power Project.

The Company had previously issued a Request for Proposals (RFP 2003A) soliciting 995 megawatts of supply-side resources. Bids received were compared against the Company's benchmark. An independent evaluator was hired to assure that, to the extent practicable, bids were evaluated in a comparable manner.

Following negotiations, PacifiCorp entered into an asset purchase and sales agreement for the development and construction of the Lake Side Power Project. The Project will consist of a 534 megawatts combined cycle combustion turbine plant at a projected cost of \$330 million.

The Committee agreed that the Company's load and resource balance indicated a resource deficit in summer 2007, but they did not perform a detailed economic analysis of the project. That analysis will be performed in the context of a future rate case when cost recovery of the plant is requested. The project was approved by the Commission and is currently under construction.

▪ **PacifiCorp Rate Case**

On 4 August 2004 PacifiCorp filed an application for a Utah rate increase of \$123.6 million. Due to a prior stipulation with Utah parties, including the Committee, the increase was limited to \$111 million. The Committee's analysis indicated that the requested increase was substantially overstated.

As a result of settlement negotiations, PacifiCorp's Utah revenue requirement increased by \$51 million, a 4.7% increase. However, the rate increase for customers represented by the Committee, residential and small business, was limited to about \$44 million, a 3.8% rate increase. The rate increase became effective 1 March 2005. It was agreed that PacifiCorp would not file for another rate increase before 1 March 2006. Several task forces were created in an effort to streamline the rate case process. The Committee continues to participate in these task forces.

- **Demand Side Management (DSM)**

The Committee recognizes that more efficient use of energy is of vital importance to all PacifiCorp customers. Consequently, Committee staff actively participate in the DSM advisory group. To promote new development and implementation of cost-effective projects, three new energy efficiency programs were added this fiscal year: 1) Residential New Construction program; 2) Commercial & Industrial Lighting Load Control; and 3) Commercial & Industrial Retro Commissioning program. Additional programs, which had been proven to be cost effective, were modified and extended.

- **Avoided Cost Methodology**

In an effort to encourage more efficient use of fossil fuels and the development of renewable energy, the Public Utilities Regulatory Policy Act (PURPA) requires that public utilities purchase power from Qualifying Facilities (QFs) at the utilities avoided cost. The avoided cost is what it would cost the utility to produce or purchase power if that power were not available from the QF. The Committee has recommended to the Commission adoption of a methodology that will allow QFs to receive the payment to which they are entitled while protecting customers from paying more for energy than they otherwise would.

- **Qualifying Facilities Contracts**

The Public Utilities Regulatory Policies Act (PURPA) requires utilities to interconnect with, and purchase power from, Qualifying Facilities (QFs). QFs are non-utility generators that may use a variety of generating technologies.

A stipulation was approved in May 2004 to provide interim rates for up to a cumulative 275 megawatts of QF power while parties worked to determine a long-term avoided cost methodology. Under the terms of that stipulation, contracts were completed with Desert Power, Tesoro, and US Magnesium resulting in 175 megawatts of power.

Future QF pricing will be determined based on the outcome of the avoided cost proceeding.

- **PacifiCorp's Integrated Resource Plan**

PacifiCorp (Company) filed its Integrated Resource Plan 2004 (IRP) on 20 January 2005. The IRP helps to determine future actions the Company will take and resources it will acquire to meet its responsibility to provide reliable, least cost service with reasonable risk to its customers.

In April 2005, the Committee and other Utah parties submitted comments to the Public Service Commission regarding the IRP. The Committee commended PacifiCorp's IRP Team for the conduct of its responsive IRP process, comprehensive report, and fine risk analysis of its chosen portfolios and complemented PacifiCorp on its IRP. However, for various reasons the Committee did not draw the same conclusions from the results of the Company's analyses. Therefore, it could not agree that the portfolio of proposed new resources termed the Preferred Portfolio is the least-cost, least-risk plan.

In July 2005 the Commission issued its Report & Order. The Order read in part, "PacifiCorp's Integrated Resource Plan 2004 generally conforms to applicable Standards and Guidelines and is therefore acknowledged. The Action Plan is not acknowledged, but will be further considered in the approval process for PacifiCorp's solicitation for new significant energy resources."

- **MidAmerican's (MEHC) Acquisition of PacifiCorp**

On 24 May 2005, MidAmerican announced it had reached an agreement with ScottishPower to acquire its subsidiary, PacifiCorp. The Public Service Commission has established that a net positive benefit must be shown if MEHC is to acquire PacifiCorp. The Committee is carefully scrutinizing the filing, participating in technical conferences and seeking additional information from the companies to ascertain if the acquisition will result in a net positive benefit for Utah ratepayers.

- **Home Electric Lifeline Program (HELP)**

The HELP program was first authorized by the Public Service Commission in May, 2000. The program provides for a fund from which eligible low-income residential customers are given a credit upon their monthly Utah Power electric bill. The Committee contends that HELP is beneficial to public and ratepayer interests. For this reason, the Committee is in the process of recommending that the Public Service Commission continue the program.

Natural Gas

- **Questar Green Sticker Accord**

The Green Sticker Accord is an effort to unify the positions of all parties relating to the Green Sticker and furnace inspections. The Committee has always been an advocate for better technician training, a customer inspection checklist and regular appliance inspections to promote safety. However, the Committee was not convinced a Green Sticker inspection was necessary. In June, the Committee hired a consultant to examine the conditions under which changing gas quality create a

genuine customer safety concern. Committee members became convinced after the hired consultant determined there were potential safety problems if natural gas appliances were not properly adjusted to handle the new fuel blend.

- **Questar’s “Pass-Through” Case**

On 6 May 2005 Questar Gas Company filed an application with the Utah Public Service Commission (UPSC) to increase its gas pass-through rates by \$115.4 million. On 31 May 2005, the UPSC approved the increase on an interim basis. Consequently, typical residential customers will see their natural gas prices increase 14.42% or \$10.89 per month. The Committee has retained expert assistance to examine the Utility’s application.

In 1999 the price of natural gas was \$2.19 per dekatherm; the current cost is \$14.85. The Committee was heavily involved in negotiating the Wexpro Agreement, which limits the price of about 40% of customer gas prices. Hedging strategies are being encouraged to mitigate the price volatility and we are still strongly encouraging the Utility to secure supply for the long term rather than buying gas for a few months or, at most, one year.

- **Lakeside Power Project**

Questar Gas Company proposed to transfer the rights of a natural gas line that runs from Kern River Pipeline near Cedar Fort, towards Saratoga Springs, to PacifiCorp in order to transport gas to the new Lakeside Power Project at the old Geneva site. The contract contained a buy-out provision that, if exercised, would have not compensated the customers who had purchased the line. The Committee pursued the inequality of the deal until the clause was changed and customers were fully reimbursed for their investment.

- **Technical Conferences**

Committee staff participated in several technical conferences this past fiscal year. Most significant was the technical conferences that addressed issues of gas interchangeability on a national level. This was a national effort ordered by the Federal Energy Regulatory Commission (FERC), under the direction of the National Gas Council. The Committee’s gas analyst was the only governmental representative invited to participate. Conference participants crafted and submitted a report on Natural Gas Quality and Interchangeability to FERC, which has been referenced in congress and national trade magazines.

Telecommunications

- **Qwest’s Petition for Pricing Flexibility**

In July 2003, Qwest petitioned for pricing flexibility. This would allow the utility to change its prices for certain services on short notice and without Commission approval in 44 of the wire centers serving residential customers and 19 wire centers serving business customers. The filing also sought to eliminate price caps that were imposed during the 2002 pricing flexibility proceeding to protect residential customers from unwarranted rate increases. The Committee argued in the recent case that Qwest does not have a competitor providing same or substitutable basic residential service and is not therefore entitled to pricing flexibility in the petitioned for areas. The Committee also maintained that in the event pricing flexibility is granted, price caps would be necessary on all residential and business services in the affected wire centers.

After the Commission approved Qwest's request, the Committee filed for reconsideration of the Order. The Committee subsequently filed comments supporting its argument. The Commission, however, reaffirmed its original decision on April 2004. On May 19, 2004, the Committee appealed the Commission's final decision to the Utah Supreme Court.

Introduction of Senate Bill 108, during the 2005 General Session, added a level of uncertainty to the status of the Committee's 2004 Supreme Court appeal of the pricing flexibility decision by the Public Service Commission. The Bill in essence eliminated the statutory requirement to petition for flexible pricing. Because the Committee was able to collaborate with Qwest on the language of the legislation to protect the ratepayers' interests, the Supreme Court appeal was dismissed.

- **Land Development Agreement**

The Committee participated in the Land Development Agreement (LDA) Tariff proceeding. This involved a dispute between Qwest and a group of contractors who install telecommunications facilities in Qwest's service territory; specifically, new areas of residential housing development. Option 2 of the LDA Tariff allowed the developers to employ a third party to extend Qwest's telecommunication facilities to new subdivisions. It also specified the amount of reimbursement that the developers and contractors would receive from Qwest upon completion of the project.

As developers began to utilize contractors to build facilities, issues pertaining to network specifications and the amount of reimbursement began to surface. This resulted in Qwest's proposal to eliminate Option 2 of the LDA Tariff altogether. Recognizing that the long-standing disputes pertaining to the reimbursement amount contributed to more service delays to customers, the Committee recommended to the Public Service Commission that Qwest should be given priority in installing its own facilities, and only to the extent it cannot do so in a timely manner, the developers need to have additional alternatives.

The Commission issued its Order on June 2, 2005 and approved Qwest's request to modify the LDA Tariff, giving Qwest priority in installing its own facilities.

- **Petitions for Additional State Universal Service Funds (USF)**

The Committee is currently in the process of evaluating two requests for additional support from the State USF. A petition submitted by Uintah Basin Telecommunications Association, Inc. and UBET Telecom, Inc. asked for an additional \$7.2 million. Carbon/Emery Telcom, Inc has also made a request for approximately \$1.5 million in additional funding. Hearings are scheduled for October 18-19, 2005.

Public Communication Efforts

- **Customer Outreach Program**

At the beginning of this fiscal year, the Committee launched a new Customer Outreach Program. The program was devised to educate customers of the Committee's role and strengthen relationships. Visits started with legislators, from both House and Senate. Outreach efforts continue to be extended to community groups, associations and professional organizations throughout the state. Another medium used for educating the public is the Committee's new brochure—copies have been printed for dissemination.

- **Web Site Information**

The Committee's Web site had a make-over this past year, making it more informative and user friendly. For information about Committee members, staff, utility issues and meetings, log on to: www.commerce.utah.gov/ccs.

Legislative Highlights

- **Public Utilities Amendment, S.B. 26 (Senator Bell)**

This bill modified the Public Utilities title to address public utility issues including enacting the Energy Resource Procurement Act.

- **Telecommunications Revisions, S.B. 108 (Senator Bramble)**

This bill amended and repealed portions of Title 54, Public Utilities, relevant to pricing and competition by telecommunications corporations.

- **Amendments to Hearing and Speech Impaired Telecommunications Program, H.B. Bill 145 (Rep. Goodfellow)** This bill expanded the permissive uses of dedicated credits for provision of telecommunications devices and services to hearing and speech impaired persons.

- **Utility Regulatory Reform, H.B. 320 (Rep. Gowans)** – This bill makes changes to the regulation of public utilities. In essence, the bill promotes elimination of the Division of Public Utilities and the Committee of Consumer services, as they exist

today. The Committee has been involved in on-going discussions with the parties involved.